

CRS Report for Congress

Honduran-U.S. Relations

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Honduran-U.S. Relations

Summary

The Central American nation of Honduras, one of the hemisphere's poorest countries, faces significant challenges in the areas of crime, human rights, and improving overall economic and living conditions. While traditional agricultural exports of coffee and bananas are still important for the economy, nontraditional sectors, especially the maquiladora, or export-processing industry, have grown significantly over the past decade. Among the country's development challenges are a poverty rate over 70%, high infant mortality, and a significant HIV/AIDS epidemic. Despite these challenges, increased public spending on health and education have reaped significant improvements in development indicators over the past decade.

Current President Manuel Zelaya of the Liberal Party won a four-year term in the November 2005 elections. The country has enjoyed 26 years of uninterrupted elected civilian democratic rule. The economy, which grew 6.3% in 2006 and in 2007, has benefitted from significant debt reduction by the international financial institutions that is freeing government resources to finance poverty-reduction programs. A key challenge for the government is curbing violent crime and the growth of youth gangs.

The United States has a close relationship with Honduras, characterized by an important trade partnership, a U.S. military presence in the country, and cooperation on a range of transnational issues, although there have been some recent strains in relations in light of President Zelaya's move toward closer relations with Venezuela. Honduras is a party to the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA). There has been extensive cooperation with Honduras on port security. Some 78,000 Hondurans living in the United States have been provided temporary protected status (TPS) since the country was devastated by Hurricane Mitch in 1998. In early May 2007, TPS was extended until January 2009.

U.S. foreign aid to Honduras amounted to almost \$46 million in FY2007 and an estimated \$43 million in regular FY2008 foreign aid funding. Honduras will also be receiving at least \$7.3 million in FY2008 supplemental assistance funding under the Administration's Mérida Initiative designed to boost the region's capabilities to interdict the smuggling of drugs, arms, and people and also support a regional anti-gang strategy (P.L. 110-252). For FY2009, the Administration has requested almost \$53 million in assistance for Honduras, and the country would also receive a portion of the \$100 million requested for Central America for continuation of the Mérida Initiative. Beyond traditional foreign assistance, the Millennium Challenge Corporation approved a five-year \$215 million compact with Honduras in 2005.

In other action in the 110th Congress, the House approved: H.Res. 564 (Engel), in support of expanded U.S. anti-gang cooperation with Central America; H.Res. 642 (Solis), expressing support for countries in the region afflicted by several hurricanes in 2007; and H.R. 6028 (Berman), authorizing assistance for the Mérida Initiative from FY2008 to FY2010. For additional information, see CRS Report RL34112, *Gangs in Central America*, and CRS Report RS22837, *Mérida Initiative: U.S. Anticrime and Counterdrug Assistance for Mexico and Central America*.

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Honduran-U.S. Relations¹

Most Recent Developments

On September 25, 2008, President Zelaya stated that President Bush told him that the United States would once again be extending temporary protected status (TPS) for another 18 months to more than 70,000 eligible Hondurans in the United States, protecting them from deportation. TPS for Honduras was scheduled to expire on January 5, 2009. It originally was provided in the aftermath of Hurricane Mitch 1998, and has been extended six times, not including the pending extension. (See “Migration Issues” below.)

On September 24, 2008, President Bush met in New York with President Zelaya and the leaders and representatives from ten other Western Hemisphere nations that have signed free trade agreements with the United States to launch the “Pathways to Prosperity Initiative.” According to the State Department, the initiative is designed to deepen existing partnerships and cooperation in order to ensure that the benefits of free trade and open investment are broadly shared throughout each country’s society.

On September 19, 2008, President Zelaya accredited the new U.S. Ambassador to Honduras, Hugo Llorens, after a one week delay that the Honduran President maintained was to show solidarity with Bolivia in its diplomatic spat with the United States. Bolivia had accused the U.S. Ambassador of inciting opposition protests, and expelled the U.S. Ambassador.

On August 25, 2008, at an official signing ceremony in Tegucigalpa, Honduras joined the Bolivarian Alternative of the Americas (ALBA), an initiative launched by President Hugo Chávez in 2004. ALBA is a socially oriented trade block that includes cooperation in a range of areas such as health, education, culture, investment, and finance. Other ALBA members include Venezuela, Bolivia, Cuba, Dominica, and Nicaragua.

On June 30, 2008, President Bush signed into law the FY2008 Supplemental Appropriations Act (P.L. 110-252), which includes funding for the Mérida Initiative designed to assist Mexico and Central America combat drug trafficking, gangs, and organized crime. Honduras is expected to receive at least \$7.3 million in assistance under the program in FY2008.

¹ Justin Rivas, a Research Associate with the CRS Foreign Affairs, Defense, and Trade Division in the summer of 2008, contributed to this update.

On May 14, 2008, some 30,000 Hondurans marched in San Pedro Sula, the country's second largest city, to protest high rates of crime and violence in the country.

On April 25, 2008, the United States announced that it would impose a temporary safeguard on U.S. imports of cotton socks from Honduras amounting to a 5% duty from July 1, 2008 to December 31, 2008.

On April 23, 2008, Honduran labor union leader Altagracia Fuentes and two traveling companions were murdered. The Inter-American Commission on Human Rights condemned the killings, and urged the Honduran government to investigate and find those responsible.

On April 7, 2008, the International Monetary Fund approved a standby agreement for Honduras for almost \$64 million to support the country's economic program in 2008.

On March 22, 2008, the U.S. Food and Drug Administration issued an import alert on cantaloupes from a Honduran company because of concerns of links with salmonella. The ban on the company, which was criticized by the Honduran government, continued until late August 2008, although ultimately no evidence of contamination was found.

On March 11, 2008, the Department of State issued its 2007 human rights report on Honduras. Among the human rights problems cited were unlawful killings by members of the police and government agents, and arbitrary and summary killings committed by vigilantes, street gangs, and former members of the security forces. (See the full report at [<http://www.state.gov/g/drl/rls/hrrpt/2007/100644.htm>].)

On January 28, 2008, the Honduran government signed an agreement with Venezuela on its participation in PetroCaribe, the Venezuelan program that provides oil at preferential discounted rates to Caribbean countries.

Political and Economic Conditions

A Central American nation with a population of about 7.4 million, Honduras has enjoyed 26 years of uninterrupted civilian democratic rule since the military relinquished power in 1982 after free and fair elections. With a per capita income of \$1,200 (2006), Honduras is classified by the World Bank as a lower middle income developing economy, and remains one of the poorest countries in the hemisphere.² Traditional agricultural exports of coffee and bananas are still important for the Honduran economy, but nontraditional sectors, such as shrimp farming and the maquiladora, or export-processing industry, have grown significantly over the past decade. Among the country's development challenges are an estimated poverty rate over 70%; an infant mortality rate of 31 per 1,000; and chronic malnutrition for one out of three children under five years of age. Honduras also has

² World Bank, World Development Report, 2008.

a significant HIV/AIDS crisis, with an adult infection rate of 1.5% of the population. The Garifuna community (descendants of freed black slaves and indigenous Caribs from St. Vincent) concentrated in northern coastal areas has been especially hard hit by the epidemic. Despite these challenges, the World Bank maintains that increased public spending on health and education has reaped significant improvements in development indicators over the past decade.³

Current President Manuel Zelaya of the Liberal Party won the November 2005 election by the close margin of 49.9% to 46.17%, narrowly defeating his National Party rival Porfirio Lobo Sosa, the head of the Honduran Congress. While the process was deemed free and fair, technical difficulties caused a delay in the official vote count, and resulted in Lobo waiting until December 7, 2005, to concede defeat.

The Liberal and National parties traditionally have been the country's two dominant political parties. Both are considered center-right parties, and there appear to be few major ideological differences between the two. During the 2005 campaign, both candidates broadly supported the direction of the country's market-oriented economic policy, but they emphasized different approaches in dealing with crime perpetrated by youth gangs. Lobo called for tougher action against gangs by reintroducing the death penalty (which was abolished in 1957) and increasing prison sentences for juvenile delinquents, whereas Zelaya opposed the death penalty and emphasized a more comprehensive approach that would include job creation and training. Zelaya also campaigned for more citizen involvement and transparency in government and promised to increase social programs and combat corruption.

Challenges for the Zelaya Government. Inaugurated to a four-year term on January 27, 2006, Zelaya succeeded President Ricardo Maduro of the National Party, who was elected in 2001. During his tenure, President Maduro faced enormous challenges in the areas of crime, human rights, and improving overall economic and living conditions in one of the hemisphere's poorest countries, challenges that

Manuel Zelaya

Born in 1952, José Manuel "Mel" Zelaya Rosales hails from Olancho department in rural eastern Honduras. Zelaya studied civil engineering in college, but left his studies for business, investing in timber and cattle. He owns a ranch in Olancho. Zelaya joined the Liberal Party in 1970, and became party coordinator for the departments of Olancho and Colón in 1980. He was first elected to Congress in 1985 and won three additional terms. He served as head of the Honduran Social Investment Fund from 1994-1997 and again from 1998-2001 in two Liberal Party Administrations. He founded a progressive faction of the Liberal Party, and won the party's presidential primary in February 2005 before winning the general election.

Sources: "Manuel Zelaya," Biography Resource Center Online, Gale, 2006; People Profile Manuel "Mel" Zelaya, *LatinNews.com*, November 15, 2006.

³ World Bank, "Honduras Country Brief," September 2006, and "Fighting Malnutrition in Central America," December 19, 2006; U.N. Economic Commission for Latin America and the Caribbean, "Social Panorama of Latin America 2007," August 2008. Also see CRS Report RL32713, *Afro-Latinos in Latin America and Considerations for U.S. Policy*, by Clare M. Ribando.

Zelaya is also facing. In the 2005 legislative elections that were held simultaneously with the presidential elections, Zelaya's Liberal Party won 62 seats in the 128-member Congress, just short of a majority, which has made it more difficult for the Zelaya government to enact its legislative agenda.

In early 2007, public support for the Zelaya government had been firm, with a majority of Hondurans maintaining that President Zelaya was doing a good job. Zelaya's high ratings were buoyed by the strong performance of the economy, his efforts to fulfill campaign pledges of free school enrollment and an increase in teachers' pay, and his efforts to curb rising fuel costs.⁴

As 2007 progressed, however, there was a drop in public support for President Zelaya, due in large part to the government's inability to achieve concrete results in reducing crime rates, poverty, and unemployment, and failing to tackle corruption. Public support for the Zelaya government has continued to decline in 2008, and political attention has now begun to focus on presidential elections scheduled for November 2009.

On the corruption front, President Zelaya has pressed for transparency in government and access to public administration, but a new transparency law has been criticized by some observers as having too many loopholes allowing the government to prevent public access to "restricted" documents.⁵ During Zelaya's first year, several high ranking officials resigned as a result of corruption scandals. In November 2007, the former director of the state phone company, Hondutel, was charged with the illegal wiretapping of President Zelaya's phone conversations.⁶ In 2008, Hondutel was also being investigated in several corruption scandals. In early April 2008, a number of Honduran prosecutors began a month-long hunger strike in protest of impunity for well-connected political and business leaders.⁷

An increase in crime and violence has also contributed to the growing unpopularity of the Zelaya government. In 2006, there were over 3,000 murders, including the assassination of environmentalists and human rights advocates.⁸ In December 2006, for example, human rights attorney Dionisio Díaz García was killed by unknown assailants in Tegucigalpa. In September 2008, the Honduran human rights ombudsman maintained that the 2007 murder rate had reached 49.9 per 100,000 inhabitants, one of the highest in the region.⁹ Press rights groups have

⁴ "Un 57 Pct de Hondureños Aprueba Gestión Presidente Zelaya," *Reuters*, January 24, 2007; "Honduras Country Report," *Economist Intelligence Unit*, January 2007.

⁵ Thelma Mejía, "Corruption: Honduras Grapples with Murky Transparency Law," *Global Information Network*, February 23, 2007.

⁶ "Honduras: Zelaya at Centre of Spying Row," *LatinNews.com*, Weekly Report, November 15, 2007.

⁷ "Honduras: Prosecutors Stage Hunger Strike Against Corruption," *Latin American Regional Report: Caribbean and Central America*, May 2008.

⁸ "Honduras: Rocky First Year for Zelaya," *Central America Report*, February 17, 2007.

⁹ Marion Barbel, "Homicide Rate Confirms Honduras as One of Region's Most Violent (continued...)"

expressed concerns about violence against journalists. In October 2007, a popular radio commentator at Radio Cadenas Voces (RCV), a station highly critical of the Zelaya government, was shot and killed. In early November, the director of RCV left the country with his family after death threats.¹⁰ On April 23, 2008, Honduran labor union leader Altagracia Fuentes and two traveling companions were murdered. The Inter-American Commission on Human Rights condemned the killings, and urged the Honduran government to investigate and find those responsible. In mid-May 2008, some 30,000 Hondurans marched in San Pedro Sula, the country's second largest city, to protest high rates of crime and violence in the country.

Economic Situation. Honduras was devastated by Hurricane Mitch in 1998, which killed more than 5,000 people and caused billions of dollars in damage. The gross domestic product declined by 1.4% in 1999, and the country felt the effects of the storm for several years, with roads and bridges washed out, the agricultural sector hard hit, and scores of orphaned children, many of whom joined criminal gangs. Spurred on by substantial U.S. foreign assistance, however, the economy rebounded by 6% in 2000, and has remained positive ever since. More recently, the economy registered growth rates of 4.1% in 2005, and 6.3% in 2006 and 2007.¹¹ Despite this economic improvement, Honduras remains one of the most impoverished nations in Latin America, with a poverty rate over 70% and high unemployment, currently estimated at almost 28%.¹²

In April 2008, Honduras signed a \$64 million standby agreement with the International Monetary Fund (IMF) designed to support the government's economy policy program of continuing high growth levels, containing inflation, and reforming the electricity sector. The government maintained the agreement would open up more than \$225 million in foreign loans for the country. In past years, Honduras had negotiated three poverty reduction and growth facility (PRGF) agreements with the International Monetary Fund (IMF) that imposed fiscal and monetary targets on the government to maintain firm macroeconomic discipline and to develop a comprehensive poverty reduction strategy. The most recent PRGF agreement, which expired in February 2007, made Honduras eligible for about \$1 billion in debt relief under the IMF and World Bank's Highly Indebted Poor Countries (HIPC) Initiative. The Inter-American Development Bank (IDB) also announced a debt forgiveness program in late 2006 for its poorest members, including Honduras, which benefitted from a reduction of \$1.4 billion in foreign debt, freeing government resources to finance poverty-reduction programs.¹³

⁹ (...continued)

Nations," *Global Insight Daily Analysis*, September 11, 2008.

¹⁰ "Head of Radio Cadenas Voces Flees the Country in Fear for His Life," *Reporters Without Borders*, November 2, 2007.

¹¹ "Honduras: Country Report," *Economist Intelligence Unit*, September 2008.

¹² Ibid; U.N. Economic Commission for Latin America and the Caribbean, "Social Panorama of Latin America 2007," August 2008.

¹³ "Honduras: Country Report," *Economist Intelligence Unit*, April 2007; Nestor Ikeda, "Inter-American Development Bank Forgives Debt of 5 Nations," *Associated Press*, March (continued...)

Since Honduras is an energy importer, its energy import bill has risen considerably with the rise in world oil prices, amounting to more than \$1 billion in 2006. In December 2007, the Zelaya government decided to participate in PetroCaribe, the Venezuelan program that provides oil at preferential discounted rates to Caribbean countries. On January 28, 2008, the Honduran government signed an agreement with Venezuela on its participation in PetroCaribe, although the first oil shipment under the program did not arrive until June 2008.

Figure 1. Map of Honduras



Source: Map Resources. Adapted by CRS.

Issues in U.S.-Honduran Relations

The United States has had close relations with Honduras over many years, characterized by significant foreign assistance, an important trade relationship, a U.S. military presence in the country, and cooperation on a range of transnational issues.

¹³ (...continued)
17, 2007.

The bilateral relationship became especially close in the 1980s when Honduras returned to democratic rule and became the lynchpin for U.S. policy in Central America. At that time, the country became a staging area for U.S.-supported excursions into Nicaragua by anti-Sandinista opponents known as the contras.

Today, overall U.S. policy goals for Honduras include a strengthened democracy with an effective justice system that protects human rights and promotes the rule of law, and the promotion of sustainable economic growth with a more open economy and improved living conditions. The United States also cooperates with Honduras to deal with such transnational issues as narcotics trafficking, money laundering, the fight against terrorism, illegal migration, and trafficking in persons, and supports Honduran efforts to protect the environment and combat HIV/AIDS. There are some 800,000 to 1 million Hondurans residing in the United States, who sent some \$2.6 billion in remittances to Honduras in 2007, more than one fourth of the country's gross domestic product.¹⁴

According to some analysts, President Zelaya's move toward closer relations with Venezuela and its allies, including the recent move to join Venezuela's Bolivarian Alternative for the Americas (ALBA), reportedly runs the risk of jeopardizing the traditionally close state of relations with the United States.¹⁵ In September 2008, President Zelaya also delayed the accreditation of the new U.S. Ambassador to Honduras, Hugo Llorens, by one week to show solidarity with Bolivia in its diplomatic spat with the United States in which Bolivia expelled the U.S. Ambassador. Nevertheless, President Zelaya reportedly took a softer tone in his first official meeting with Ambassador Llorens, and described the United States "as an ally and friend." Zelaya also reportedly maintained that he was forced to turn to Venezuela for assistance because of rising food and energy prices.¹⁶

Economic Linkages

U.S. trade and investment linkages with Honduras have increased since the early 1980s, and will likely increase further with the implementation of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) that entered into force with Honduras in April 2006. In 1984, Honduras became one of the first beneficiaries of the Caribbean Basin Initiative (CBI), the one-way U.S. preferential trade arrangement providing duty-free importation for many goods from the region. In the late 1980s, Honduras benefitted from production-sharing arrangements with U.S. apparel companies for duty-free entry into the United States of certain apparel products assembled in Honduras. As a result, maquiladoras or export-assembly companies flourished, most concentrated in the north coast region. The passage of the Caribbean Basin Trade Partnership Act in 2000 (CBTPA), which

¹⁴ U.S. Department of State, "Background Note: Honduras," June 2008; Inter-American Development Bank, The Multilateral Investment Fund (MIF), "Remittances to Latin America and the Caribbean 2007."

¹⁵ "Honduras: Zelaya Risks ALBA Membership," *Oxford Analytica*, September 16, 2008.

¹⁶ Freddy Cuevas "Honduran Leader: U.S. Apathy Made Him Turn to Chávez," *Associated Press Newswires*, September 19, 2008.

provided Caribbean Basin nations with NAFTA-like preferential tariff treatment, further boosted Honduran maquiladoras.

The United States is by far Honduras' largest trading partner, and is the destination of about two-thirds of Honduran exports and the origin of about half of its imports. Honduras is the second largest Latin American exporter of apparel to the United States after Mexico. In 2007, U.S. exports to Honduras amounted to about \$4.5 billion, up 21% from 2006. Knit and woven apparel inputs accounted for a substantial portion as well as machinery, chemicals, and petroleum. U.S. imports from Honduras amounted to about \$3.9 billion, with knit and woven apparel (assembled products from the maquiladora sector) accounting for the lion's share. Other Honduran exports to the United States include coffee, seafood, bananas, electrical wiring, gold, and tobacco. In terms of investment, the stock of U.S. foreign direct investment in Honduras amounted to \$517 million in 2006, concentrated largely in the manufacturing sector.¹⁷ More than 150 U.S. companies operate in Honduras, with investments in the maquila or export assembly sector, fruit production, tourism, energy generation, shrimp farming, animal feed production, telecommunications, fuel distribution, cigar manufacturing, insurance, brewing, food processing, furniture manufacturing, and numerous U.S. restaurant franchises.¹⁸ In the 110th Congress, H.Res. 532 (Gohmert), introduced July 10, 2007, would recognize the energy and economic partnership between the United States and Honduras.

During consideration of CAFTA-DR, Honduras viewed the agreement as a way to make the country more attractive for investment and as a way to protect its apparel benefits under the Caribbean Basin Trade Partnership Act, which was set to end in September 2008. Honduran officials also viewed the CAFTA-DR as an important tool in helping transform the country's agricultural sector. Nevertheless, there are concerns about the adverse effects of opening the Honduran market to U.S. agricultural products, especially for several sensitive products such as corn, rice, beef, poultry, and pork. Most significantly, Honduran officials are concerned about the loss of jobs in some sectors, which could lead to social unrest if not addressed properly through long-term investment in the agricultural sector.

One of the controversial issues in the CAFTA-DR debate in the United States was how labor provisions would be handled. The agreement has provisions that provide for the enforcement of domestic laws, establish a cooperative approach with the International Labor Organization (ILO) to improve working conditions, and build local capacity to improve labor rights. Opponents argue that the agreement should have had provisions enforcing international standards, maintaining that Central American countries have a history of non-enforcement of inadequate domestic laws. In April 2005, Honduras and other Central American countries endorsed a work plan with the goals of strengthening enforcement of labor laws in the region. In March 2006, the U.S. Department of Labor announced that it would be providing \$5 million in support of an International Labor Organization program to promote labor justice

¹⁷ United States Trade Representative, *2008 National Trade Estimate Report on Foreign Trade Barriers*.

¹⁸ U.S. Department of State, "Background Note: Honduras," June 2008.

under DR-CAFTA and evaluate its progress.¹⁹ Honduras has received criticism for its poor labor conditions. According to the State Department's 2007 human rights report, issued in March 2008, there was credible evidence that blacklisting occurred in the maquiladoras because of employees' union activities.

U.S. Foreign Assistance

The United States has provided considerable foreign assistance to Honduras over the past two decades. In the 1980s, the United States provided about \$1.6 billion in economic and military aid as the country struggled amid the region's civil conflicts. In the 1990s, U.S. assistance to Honduras began to wane as regional conflicts subsided and competing foreign assistance needs grew in other parts of the world. Hurricane Mitch changed that trend as the United States provided almost \$300 million in assistance to help the country recover from the 1998 storm. As a result of the new influx of aid, total U.S. assistance to Honduras for the 1990s amounted to around \$1 billion. With Hurricane Mitch funds expended by the end of 2001, U.S. foreign aid levels to Honduras again began to decline.

Recent foreign aid funding to Honduras amounted to \$54 million in FY2005, almost \$53 million in FY2006, and almost \$47 million in FY2007 (see **Table 1**). For FY2008, an estimated \$43 million in regular foreign aid funding is being provided. In addition Honduras will receive at least \$7.3 million of additional assistance in FY2008 supplemental funding (H.R. 2462, P.L. 110-252) for the Mérida Initiative to boost the region's interdiction capabilities and support a regional anti-gang strategy. The supplemental spending law appropriated a total of \$65 million for Central America, Haiti, and the Dominican Republic.

For FY2009, the Administration requested almost \$53 million in foreign aid for Honduras, including almost \$26 million in Development Assistance, \$11 million in food aid, \$10 million in Child Survival and Health assistance, and almost \$3.8 million for a Peace Corps program. These amounts include support for a variety of projects in the area of health, education, trade and investment capacity, agricultural sector productivity and the environment, voter education, and the training of poll workers and independent Honduran election observers. In addition to the \$53 million in bilateral assistance requested, Honduras would also receive a share of the \$100 million requested in FY2009 for the continuation of Mérida Initiative funding, which the Administration requested under the Western Hemisphere Regional Program.

Beyond traditional foreign assistance funding, in June 2005, the Millennium Challenge Corporation (MCC) signed a five-year \$215 million compact for Honduras. The MCC compact has two components, a rural development project and a transportation project. The rural development project involves providing Honduran farmers with the skills needed to grow and market horticultural crops. The transportation project will improve a highway linking the Atlantic port of Puerto Cortés to Pacific ports and major production centers in Honduras, El Salvador, and Nicaragua. It will also involve improvements to main highways, secondary, and rural

¹⁹ "ILO Awarded \$5 Million for CAFTA-DR Labor Program," *International Trade Reporter*, March 23, 2006.

roads to enable farmers and other businesses to get their products to markets more efficiently.²⁰

Table 1. U.S. Foreign Aid to Honduras, FY2005-FY2009
(U.S. \$ in thousands)

Account	FY2005	FY2006	FY2007	FY2008 (est.)	FY2009 (req.)
Child Survival and Health	13,192	13,140	12,034	12,035	10,147
Development Assistance	20,856	20,604	15,540	15,149	25,731
Economic Support Funds	--	--	175	--	--
Global HIV/AIDS Initiative	--	--	750		
Foreign Military Financing	1,492	891	675	496	800
International Military Education & Training	1,322	1,218	1,404	837	700
International Narcotics Control & Law Enforcement	0	0	0	744	750
Nonproliferation, Antiterrorism & Demining	0	315	268	0	0
Food Aid (P.L. 480)	13,538	13,105	13,005	9,930	11,000
Peace Corps	4,035	3,344	3,822	3,637	3,757
Total	54,435	52,617	47,673	*42,828	*52,885

* For FY2008, Honduras will receive at least \$7.3 million of the \$65 million in funding for the Mérida Initiative appropriated for Central America, Haiti, and the Dominican Republic in the FY2008 supplemental appropriations legislation (H.R. 2462, P.L. 110-252); Honduras will likely receive additional FY2008 Mérida Initiative from a \$25 million regional funding program for Central America. For FY2009, the Administration requested \$100 million for Central America under the Mérida Initiative, and if funded, Honduras would receive a portion of this.

Sources: U.S. Department of State, Congressional Budget Justification, Foreign Operations, FY2007, FY2008, and FY2009; Peace Corps, Congressional Budget Justification, FY2006-2009.

The United States also provided disaster assistance to Honduras in 2007. In anticipation of damage from Hurricane Felix, USAID provided \$25,000 in preparedness assistance in early September 2007 to support emergency relief activities. In October 2007, USAID provided \$50,000 in the aftermath of heavy rains that caused flooding in southern Honduras that killed five people and damaged or destroyed more than 1,000 homes. On September 25, 2007, the House approved

²⁰ Millennium Challenge Corporation, "Honduras Overview," available at [<http://www.mcc.gov/countries/honduras/index.php>].

(418-0) H.Res. 642 (Solis) expressing sympathy and support for countries of Central America, the Caribbean, and Mexico afflicted by several devastating hurricanes.

U.S. Military Presence

The United States maintains a troop presence of about 550 military personnel known as Joint Task Force (JTF) Bravo at Soto Cano Air Base. JTF Bravo was first established in 1983 with about 1,200 troops, who were involved in military training exercises and in supporting U.S. counterinsurgency and intelligence operations in the region. Today, U.S. troops in Honduras support such activities as disaster relief, medical and humanitarian assistance, counternarcotics operations, and search and rescue operations that benefit Honduras and other Central American countries. Regional exercises and deployments involving active duty and reserve components provide training opportunities for thousands of U.S. troops. In the aftermath of Hurricane Mitch in 1998, U.S. troops provided extensive assistance in the relief and reconstruction effort. In 2005, JTF Bravo deployed teams to provide disaster assistance in response to Hurricane Stan in neighboring Guatemala and to Tropical Storms Beta and Gamma in Honduras.²¹ In November 2006, about 50 troops from JTF Bravo were dispatched to Panama to provide assistance after flooding in the country.

In June 2006, President Zelaya announced that Honduras would seek to convert part of the Soto Cano Air Base into a commercial air cargo terminal, while later in the year the Honduran Defense Minister suggested that the conversion of Soto Cano, which would take more work than originally thought and cost some \$100-200 million, might not be viable financially.²² In a January 2007 speech to the Honduran Congress, however, President Zelaya again reiterated that Soto Cano Air Base would be upgraded so that it could be used as a commercial airport for exporting merchandise to the United States.²³

Crime

Crime and related human rights issues have been among the most important challenges for the Honduran government. When President Maduro took office in 2002, kidnaping and murder were common in major cities, particularly in the northern part of the country. Youth gangs known as *maras* terrorized many urban residents, while corresponding vigilantism increased to combat the crime, with extrajudicial killings increasing, including killings of youth.

Honduras, along with neighboring El Salvador and Guatemala, has become fertile ground for the gangs, which have been fueled by poverty, unemployment,

²¹ Edmund Woolfolk and James Marshall, "JTF-Bravo and Disaster Relief," *Joint Force Quarterly*, Issue 42, 3rd Quarter 2006.

²² "Honduras: Upgrading Palmerola Base," *Latin America Regional Report, Caribbean & Central America*, October 2006.

²³ "Honduras Usará Comercialmente Base Aérea de EEUU," *Associated Press*, January 25, 2007.

leftover weapons from the 1980s, and the U.S. deportation of criminals to the region. The two major gangs in Honduras — Mara Salvatrucha, or MS-13, and the 18th Street gang, or M-18 — were first established in Los Angeles in the 1980s by Salvadoran immigrants who were excluded from Mexican-American gangs. The U.S. deportation of Central American criminals back to the region in the 1990s may have helped lay the foundation for the development of MS-13 and M-18 in Central America.²⁴ Although estimates of the number of gang members in Central America vary widely, the U.S. Southern Command maintains that there are some 70,000, concentrated largely in Honduras, El Salvador, and Guatemala.²⁵

President Maduro, who campaigned on a zero-tolerance platform, increased the number of police officers and cracked down on delinquency. The government signed legislation in July 2003 making *maras* illegal and making membership in the gangs punishable with 12 years in prison. Some human rights groups expressed concerns about abuses and the effect of the crackdown on civil liberties. There were also concerns that the crackdown would exacerbate already poor prison conditions. Subsequently in 2004, a fire in the San Pedro Sula prison killed 107 inmates, mostly gang members. Although the crackdown initially reduced crime (for example, an 80% decline in kidnapping and a 60% decline in youth gang violence)²⁶ and was popular with the public, crime subsequently picked up again. On December 23, 2004, MS-13 gang members massacred 28 people, including 6 children, on a public bus crowded with Christmas shoppers in San Pedro Sula, an event that shocked the Honduran nation.

Beginning in 2006, the Zelaya government — in a move to replace the Maduro government's zero-tolerance policy — initially announced measures to use dialogue and other outreach techniques to convince gang members to give up violence and reintegrate into society, but subsequently has focused more on traditional law enforcement action to crack down on the gangs.²⁷ In September 2006, the government launched Operation Thunder to increase the number of police and military troops in the streets and conduct raids against suspected criminals. The operation led to 1,600 arrests.²⁸ The government has also pledged to increase the police force by 1,000 members each year.

Despite the Zelaya's government's efforts, crime and violence in Honduras have continued unabated. According to the government's Human Rights Commissioner, the murder rate in 2006 stood at 46 homicides per 100,000 inhabitants, third in Latin

²⁴ Ana Arana, "How the Street Gangs Took Central America," *Foreign Affairs*, May 1, 2005.

²⁵ House Armed Services Committee, Posture Statement of Gen. Bantz Craddock, Commander, U.S. Southern Command, March 9, 2005.

²⁶ John Authers and Sara Silver, "Death of Son Persuades Honduran to Take Political Stage," *Financial Times*, August 11, 2004.

²⁷ "Honduran Government Reaches Out to Rehabilitate Gangs," *ACAN-EFE*, January 30, 2006.

²⁸ "Honduras' Operation Thunder: The Effort to Stem Rising Crime," *Stratfor*, October 30, 2006.

America behind Colombia and El Salvador.²⁹ In September 2008, it was reported that the 2007 murder rate had reached 49.9 per 100,000 inhabitants, one of the highest in the region.³⁰ Several high-profile killings have drawn greater attention to the issue of violent crime in Honduras.

Several studies on the gangs in Central America contend that so-called *mano dura* (strong arm) policies focused on repressing the gangs with law enforcement may have contributed to the gangs becoming more organized and more violent. They contend that Central American governments need to develop social and economic prevention programs as a means of effectively dealing with the gang crisis. Best practices are seen as involving strategies that are developed with community collaboration so that prevention and law enforcement programs are accepted by all sectors and the general population.³¹

Several U.S. agencies have been involved in assisting Honduras and other Central American countries in dealing with the gang problem.³² On the law enforcement side, the FBI established a task force in 2004 focusing on MS-13 that allows the exchange of information with Central America law enforcement agencies. U.S. Immigration and Customs Enforcement (ICE) has worked closely with Honduran law enforcement pertaining to MS-13 and other gangs.³³ The United States has also conducted anti-gang training for Honduran law enforcement officials. In January 2007, police and prosecutors from Honduras and other Central American countries completed an anti-gang training program conducted at the U.S.-funded International Law Enforcement Academy in El Salvador.³⁴ The U.S. Agency for International Development, while not having a specific program focusing on gangs, supports several programs that attack the risk factors associated with gang membership and violence. These include a program to provide basic education skills to at-risk youths and a program to improve the effectiveness and transparency of the justice system.³⁵

²⁹ "Homicide Rate in Violence-Prone Honduras One of the Region's Highest," *Global Insight Daily Analysis*, March 12, 2007.

³⁰ Marion Barbel, "Homicide Rate Confirms Honduras as One of Region's Most Violent Nations," *Global Insight Daily Analysis*, September 11, 2008.

³¹ "Youth Gangs in Central American, Issues in Human Rights, Effective Policing and Prevention," Washington Office on Latin America (WOLA), November 2006; "Transnational Youth Gangs in Central America, Mexico, and the United States," Executive Summary, WOLA and the Center of Inter-American Studies and Programs of the Instituto Tecnológico Autónomo de México (ITAM), February 2007.

³² See CRS Report RS22141, *Gangs in Central America*, by Clare M. Ribando.

³³ House Committee on International Relations, Subcommittee on the Western Hemisphere, Statement of John P. Torres, U.S. Immigration and Customs Enforcement, U.S. Department of Homeland Security, Hearing on "Gangs and Crime in Latin America," April 20, 2005.

³⁴ U.S. Department of Justice, "Prepared Remarks of Attorney General Alberto R. Gonzales at the Press Conference Following Bilateral Meetings in El Salvador," February 5, 2007.

³⁵ U.S. Agency for International Development, "Central America and Mexico Gang Assessment, Annex 3: Honduras Profile," April 2006.

In July 2007, Assistant Secretary for Western Hemisphere Affairs, Thomas Shannon, announced that the United States would pledge \$4 million to help Central American governments draft a regional security strategy to fight street gangs and drug trafficking.³⁶ Such a strategy would consist of five areas in which the United States would work with partners in Central America: diplomacy, repatriation, law enforcement, capacity enhancement, and prevention.³⁷

In the 110th Congress, H.Res. 564 (Engel), approved by the House on October 2, 2007 by voice vote, recognizes that violence poses an increasingly serious threat to peace and stability in Central America and supports expanded cooperation between the United States and the countries in the region, including Honduras, to deal with youth gangs in Central America. The FY2008 Consolidated Appropriations Act (P.L. 110-161, Division J) provides \$8 million to combat transnational crime and criminal youth gangs, including in Central America.

As noted above, the Bush Administration also requested assistance for Honduras under the Mérida Initiative to boost the region's capabilities to interdict the smuggling of drugs, arms, and people, and to support a regional anti-gang strategy. Honduras will receive at least \$7.3 million of the \$65 million appropriated for Central America, Haiti, and the Dominican Republic in FY2008 supplemental assistance legislation. (P.L. 110-262). For FY2009, Honduras would also receive a portion of the \$100 million requested for Central America for continuation of the Mérida Initiative.

Migration Issues

Temporary Protected Status. In the aftermath of Hurricane Mitch in 1998, the United States provided temporary protected status (TPS) to eligible Hondurans in the United States at the time, protecting them from deportation, because the Honduran government would not be able to cope with their return. Originally slated to expire in July 2000, TPS status for the eligible Hondurans to date has been extended six times. TPS was scheduled to expire on July 5, 2007, but on May 2, 2007, Secretary of Homeland Security Michael Chertoff announced that TPS for eligible nationals of Honduras (as well as El Salvador and Nicaragua) would be extended for an additional 18 months until January 5, 2009. Some 78,000 Honduras benefit from TPS.³⁸ The extensions generally have been granted because of the difficulty that Honduras would have in coping with their return. For the 2007 extension, a Homeland Security official maintained that while Honduras, along with El Salvador and Nicaragua that also have TPS designations, have made significant

³⁶ "U.S. Offers Funds to Help Fight Central America Gangs," Reuters, July 18, 2007.

³⁷ U.S. Department of State, "Combating Criminal Gangs from Central America and Mexico," July 18, 2007.

³⁸ U.S. Department of Homeland Security, U.S. Citizenship and Immigration Services, "Secretary Chertoff Extends Temporary Protected Status for Eligible Hondurans, Nicaraguans and Salvadorans," Press Release, May 2, 2007.

progress in recovery and rebuilding, each country continues to face social and economic challenges in efforts to restore their nations to normalcy.³⁹

On September 25, 2008, President Zelaya stated that President Bush told him during a meeting in New York that the United States would once again be extending TPS for another 18 months to more than 70,000 eligible Hondurans in the United States, protecting them from deportation.⁴⁰ (For background on TPS, see CRS Report RS20844, *Temporary Protected Status: Current Immigration Policy and Issues*.)

Deportations.⁴¹ After Mexico, Honduras is the country in the region with the highest number of U.S. deportations. In FY2007, over 29,000 Hondurans were deported, making it one of the top recipients of deportees on a per capita basis. Deportations to Honduras have increased significantly over the past decade, from 2,769 in FY1996 to 29,289 in FY2007, more than almost a tenfold increase.⁴² As with most Central American countries, those deported on criminal grounds to Honduras were a much smaller percentage than the average for Latin America and the Caribbean overall. About 17% of Hondurans were removed on criminal grounds in 2007. In March 2007, the Honduran Congress approved a motion calling for the United States to halt deportations of undocumented Honduran migrants who live and work in the United States.⁴³ According to the Department of Homeland Security, in 2005 Honduras became the first foreign country to agree to the use of video teleconferencing by Honduran consular officers for travel document interviews in order to speed the deportation process.⁴⁴

In Honduras and other Central American countries, policymakers are most concerned about their countries' abilities to absorb the large volumes of deportees arriving from the United States. Increasing deportations from the United States have been accompanied by similar increases in deportations from Mexico, a transit country for Central American migrants bound for the United States. The deportations have caused numerous challenges for Central American governments and social service providers. In countries where poverty and unemployment rates are high, it can be difficult for returning deportees to find gainful employment. Individuals who do not speak Spanish, who are tattooed, who have criminal records, and/or who lack familial support in the country to which they are deported have a particularly difficult time

³⁹ "El Salvador-Honduras: Holding Out Hope for Immigration Reform," *Caribbean & Central America Report*, May 17, 2007.

⁴⁰ "EEUU Ampliará Permiso Temporal a Hondureños Indocumentados," *Reuters, Noticias Latinoamericanas*, September 25, 2008.

⁴¹ Clare Seelke contributed information to this section. Also see CRS Report RL34112, *Gangs in Central America*.

⁴² Information Provided to CRS by the Department of Homeland Security, Immigration and Customs Enforcement, Office of Detention and Removal.

⁴³ "CN Pide a EEUU que Cesen las Deportaciones de Compatriotas," *La Tribuna* (San Pedro Sula, Honduras), March 14, 2007.

⁴⁴ "Homeland Security Department Introduces New Procedure to Expedite Honduran Removals," *U.S. Fed News*, April 19, 2005.

with re-integration. Some deportees have left close family members behind in the United States, which may make their transition even harder. In addition to these social problems, regional leaders are also concerned that remittances may start to fall if the current high rates of deportations continue.⁴⁵

Some analysts contend that increasing U.S. deportations of individuals with criminal records has exacerbated the gang problem in Honduras and other Central American countries.⁴⁶ By the mid-1990s, the civil conflicts in Central America had ended and the United States began deporting unauthorized immigrants, many with criminal convictions, back to the region. Between 2000 and 2004, an estimated 20,000 criminals were sent back to Central America, many of whom had spent time in prisons in the United States for drug and/or gang-related offenses. Many contend that gang-deportees have “exported” a Los Angeles gang culture to Central America, and that they have recruited new members from among the local populations.⁴⁷ Although a recent United Nations study says that there is little conclusive evidence to support their claims, the media and many Central American officials have attributed a large proportion of the rise in violent crime in the region on gangs, particularly gang-deportees from the United States.⁴⁸ Offender reentry has become a major problem, as tattooed former gang members, especially returning deportees from the United States who are often native English speakers, have difficulty finding gainful employment.

Most Central American governments have developed some type of programs to help returning deportees reintegrate into society, but many of these tend to be understaffed and underfunded. In Honduras, immigration officials, Catholic church representatives, and volunteers provide food and information on job training opportunities to repatriated individuals at the Center for Attention to Migrants, which is next to the international airport in Tegucigalpa.⁴⁹

Both Central American and Caribbean officials have called on the United States to provide better information on deportees with criminal records. In July 2007 testimony before the House Subcommittee on the Western Hemisphere, the Honduran Ambassador asserted that while the United States now provides information on the criminal background of deportees, information is not provided on whether the repatriated nationals are gang members. The Administration’s FY2008 supplemental request for Honduras as part of the Administration’s Mérida Initiative includes assistance for a web-based Repatriation Notification System that would give

⁴⁵ Pamela Constable, “Deportees’ Bittersweet Homecoming; Migration is Boon, Bane for Honduras,” *Washington Post*, June 27, 2007.

⁴⁶ Robert L. Lopez, Rich Connell, and Chris Kraul, “Gang Uses Deportation to its Advantage to Flourish in the U.S.,” *Los Angeles Times*, November 1, 2005.

⁴⁷ Ana Arana, “How the Street Gangs Took Central America,” *Foreign Affairs*, May/June 2005.

⁴⁸ United Nations Office on Drugs and Crime (UNODC), *Crime and Development in Central America: Caught in the Crossfire*, May 2007.

⁴⁹ Pamela Constable, “Deportees’ Bittersweet Homecoming; Migration is Boon, Bane for Honduras,” *Washington Post*, June 27, 2007.

Honduras, El Salvador, and Guatemala notification of all repatriations from the United States.

Drug Trafficking

Honduras is a transshipment country for cocaine flowing north from South America by air, sea, and land. According to the State Department's 2008 *International Narcotics Control Strategy Report*, recent flight tracking indicates that such transit is increasing as drug traffickers have been shifting their operations from Guatemala to Honduras. Remote and poorly controlled areas of Honduras, particularly on the country's north coast and eastern border, are natural safe havens for drug traffickers, providing them with isolated areas for trafficking operations, such as refueling maritime assets and making boat-to-boat transfers.

The State Department report acknowledged Honduras for its cooperation with the United States on counternarcotics efforts, noting bilateral cooperation in investigation and interdiction operations. A "Special Vetted Unit" in the Honduran police uses sensitive narcotics intelligence to target major traffickers operating in the country and to disrupt and disband transnational organized crime groups. The State Department recognized the Zelaya government for taking a number of important actions to combat drug trafficking in Honduras. These include the expansion of maritime interdiction, especially along the north coast, collaboration with the U.S. Attorney's Offices regarding U.S. investigations of Honduran traffickers, and the enhancement of the National Police force through the decentralization of some commands and the addition of 2,000 police officers. The State Department report noted one particularly important development in 2007: the establishment of a new Honduran military base and two task forces designed to further strengthen the government presence along the north coast.

At the same time, the State Department report stated that effective counternarcotics efforts face such obstacles as funding constraints, a weak judicial system marred by corruption and heavy caseloads, a lack of coordination, and leadership challenges. While the Zelaya government has enacted measures designed to combat corruption among public officials, corrupt practices within the police and judiciary continue as a result of lack of enforcement. The report also recognized two areas of growing concern: increases in drug trafficking and drug use at the street level, especially among young children, and the cultivation of marijuana in small isolated plots, particularly in the mountainous regions of the departments of Copán, Yoro, Santa Bárbara, Colón, Olancho, and Francisco Morazán.

In 2008, the Honduran Congress is expected to consider a number of reforms to strengthen the police force and increase the counternarcotics capabilities of the country. Proposed reforms to the Organic Police Law would allow mandatory polygraph exams and drug tests on all police officers, the removal of officers with ties to organized crime, and the dismissal of officers who have committed crimes. The Zelaya government, with the assistance of the United States, will also attempt to dismantle criminal organizations currently functioning within penitentiaries by reforming its prison system. Continued anti-trafficking operations will increase inspections through the Container Security Initiative (CSI), Secure Freight Initiative (SFI), and the new Mega-ports Initiative.

Human Trafficking

According to the State Department's 2008 Trafficking in Persons (TIP) Report, Honduras is a source and transit country for women and children trafficked for the purpose of commercial sexual exploitation, with many victims trafficked from rural areas to tourist and urban areas such as San Pedro Sula, the north Caribbean coast, and the Bay Islands. According to the State Department's 2007 report, the Honduran government and NGOs estimated 10,000 victims had been trafficked in Honduras, mostly internally. However, the 2008 report also named the United States, Mexico, Guatemala, and El Salvador as destination countries for Honduran women and children being trafficked. In 2005, U.S. Immigration and Customs Enforcement (ICE) worked with Honduran authorities to break up a human smuggling ring that lured young Honduran women to the United States for forced labor.⁵⁰ The State Department's 2008 report noted the presence of foreign victims of commercial sexual exploitation in Honduras, most having been trafficked from neighboring countries, including economic migrants en route to the United States that have been victimized by traffickers.

While the State Department stated in the TIP Report that Honduras does not fully comply with the minimum standards for the elimination of trafficking, it noted that the government is making significant efforts to do so (a so-called Tier 2 country). Although not all forms of trafficking for the purpose of labor exploitation are prohibited, the report recognized the Honduran government's increased efforts to investigate other trafficking crimes. While the government only opened 24 trafficking-related investigations in 2006, it opened 74 in 2007, leading to 13 prosecutions and 8 convictions. The report also recognized the government's progress in trafficking prevention. In addition to conducting TV and radio awareness-raising campaigns, the Honduran government conducted 50 anti-trafficking training sessions for more than 3,000 government officials, civil society members, students, and journalists in 2007. Nonetheless, the report indicates a number of areas in which Honduras can do more to combat trafficking. It recommends that the Honduran government increase its shelter aid and victims services, amend anti-trafficking laws to prohibit labor trafficking, increase criminal investigations of corrupt public officials involved in trafficking activities, and enhance international collaboration to prosecute foreign tourists engaging in the exploitation of trafficked women and children.

Port Security

Honduras and the United States have cooperated extensively on port security. For the United States, port security emerged as an important element of homeland security in the aftermath of the September 11, 2001 terrorist attacks. Honduras views such cooperation as important in order to ensure the speedy export of its products to the United States, which in turn could increase U.S. investment in the country.

⁵⁰ U.S. Department of Homeland Security, U.S. Immigration and Customs Enforcement, "10 Charged in International Human Smuggling Ring that Lured Young Honduran Women to U.S. for Forced Labor," News Release, July 21, 2005.

In March 2006, U.S. officials announced the inclusion of the largest port in Honduras, Puerto Cortés, in the U.S. Container Security Initiative (CSI), becoming the only port in Central America under the CSI. Puerto Cortés is the major facility used for the export of apparel to the United States. The CSI program, operated by the U.S. Customs and Border Protection (CBP) of the Department of Homeland Security, uses a security regime to ensure that all containers that pose a potential risk for terrorism are identified and inspected at foreign ports before they are placed on vessels destined for the United States.

Honduras and the United States signed a Declaration of Principles in December 2005 that ultimately led to Honduras' inclusion in the CSI. The Declaration also led to Honduras' involvement in the Megaports Initiative run by the National Nuclear Security Administration of the Department of Energy. That initiative has the goal of deploying radiation detection equipment to ports in order to detect nuclear or radioactive materials. In December 2006, the U.S. Departments of Energy and Homeland Security launched a Secure Freight Initiative (SFI) with the goal of deploying a globally integrated network of radiation detection and container imaging equipment to be operated in seaports worldwide. Puerto Cortés was one of six ports around the world chosen to be part of the first phase of the SFI, with the deployment of radiation technology and nuclear detection devices. Testing of containers at Puerto Cortés began in April 2007, and by early October 2007, the SFI became fully operational at Puerto Cortés with all containers bound for the United States scanned for radiation before they are allowed to depart.⁵¹

⁵¹ U.S. Department of Homeland Security, "DHS and DOE Launch Secure Freight Initiative," Press Release, December 7, 2006, and "Secure Freight Initiative Becomes Fully Operational in United Kingdom, Pakistan, and Honduras," Press Release, October 12, 2007; R.G. Edmonson "U.S. Unveils Container Security Test," *Journal of Commerce Online*, December 7, 2006; "U.S. Begins Testing of Secure Freight Initiative," *Journal of Commerce*, April 13, 2007.